

EXHIBIT 18

LIONBRIDGE

STATE OF NEW YORK)
)
) SS
COUNTY OF NEW YORK)

CERTIFICATION

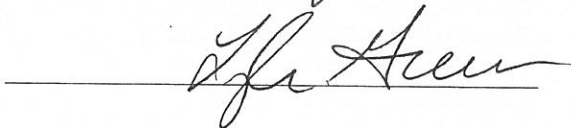
This is to certify that the attached translation is, to the best of my knowledge and belief, a true and accurate translation from Spanish into English of the attached document with Bates Nos. ERS_LS0005068-ERS_LS0005104.



Kristen Duffy, Senior Managing Editor
Lionbridge

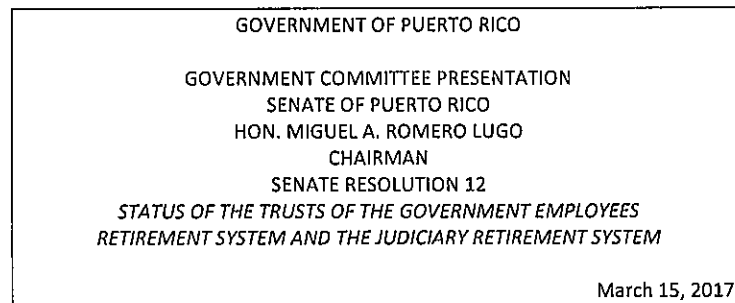
Sworn to and subscribed before me

this 27th day of May, 2019.



LYNDA GREEN
NOTARY PUBLIC-STATE OF NEW YORK
No. 01GR6205401
Qualified In New York County
My Commission Expires 05-11-2021

RETIREMENT {logo}



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

- The Retirement System Administration ("Administration") administers the Puerto Rico Government Employees Retirement System ("PRGERS"), created by Act No. 447 of May 15, 1951, as amended, and the Puerto Rico Judiciary Retirement System ("PRJRS") created by Act No. 12 of October 19, 1954, as amended. The PRGERS and PRJRS are collectively referred to as the "Retirement Systems".
- Governance of the Administration is vested in a Board of Trustees, which sets policy and oversees the operations consistent with the laws of the Commonwealth of Puerto Rico.
- The sole purpose of the Administration is to guarantee the payment of pensions and benefits to the retirees and participants of the Retirement Systems.

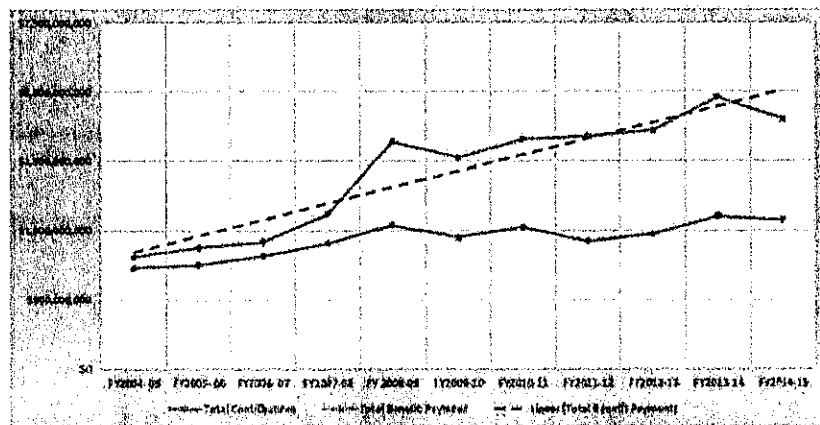


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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

PRGRS CASH INFLOWS AND OUTFLOWS



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

STRUCTURAL DEFICIENCIES OF THE PRGERS SINCE ITS INCEPTION

Inadequate employer and employee contributions:

- Since 1951, pensions were fixed by law.
- The Annual Required Contributions ("ARC") made by the government was determined by law and failed to consider the actuarial needs of the System.
- The level of benefits granted did not correspond to actuarial considerations related to the needed contributions to fund them.

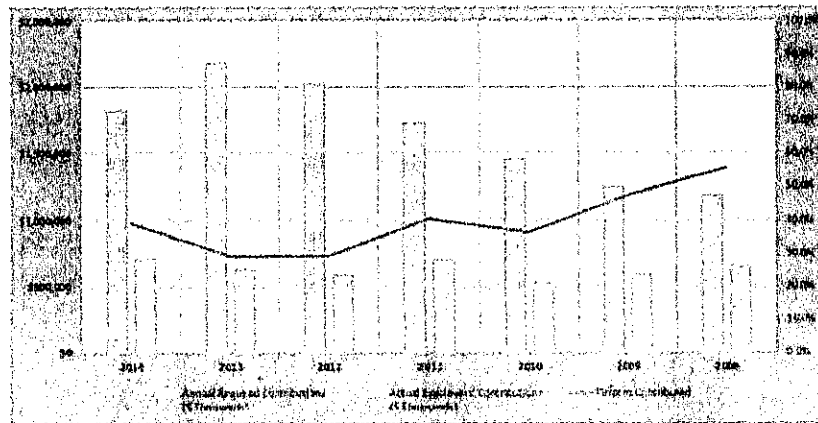


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GOVERNMENT OF PUERTO RICO

ANNUAL REQUIRED CONTRIBUTIONS 2008 TO 2014



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

POSITIVE STRUCTURAL CHANGES TO PRGERS

- Gov. Pedro Rosselló González
 - ACT NO. 305-1993
 - Established a savings account for each new hire after Jan 1, 2000.
 - Benefits contingent on contributions.
 - Compulsory contribution of 8.275%.
 - Retirement age= 60 years old.
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 - All future benefits accrue under a defined contribution formula which will be paid at retirement through a lifetime annuity.
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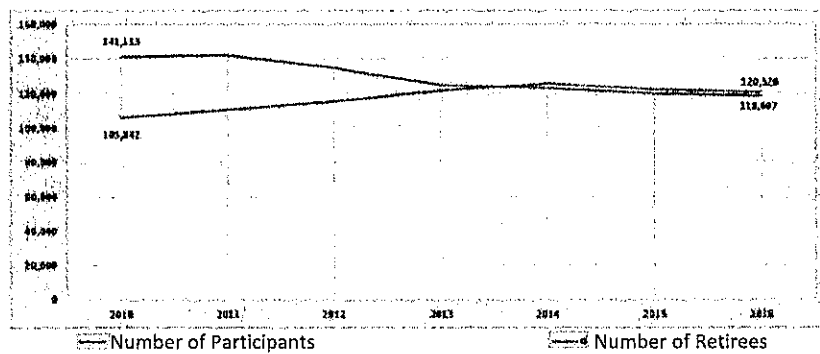


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GOVERNMENT OF PUERTO RICO

PRGERS- PARTICIPANTS VS. RETIREES



PRGERS is a mature system with a significant retiree population. At this point the PRGERS has shown an irreversible trend of having more pensioners than active participants.

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GOVERNMENT OF PUERTO RICO

PRGERS- PARTICIPANTS

- The PRGERS has over 200 employers. Therefore, it houses employees from the Executive Branch (this includes public corporations, government entities and Central Government); employees (except Judges) from the Judicial Branch; employees from the Legislative Branch and Municipalities of the Commonwealth of Puerto Rico.

| **Participant Data | | |
|--------------------|---------|--------|
| 6/30/2018 | | |
| Central Government | 71,006 | 59.84% |
| Municipalities | 27,016 | 22.77% |
| Public Corporation | 20,642 | 17.40% |
| Total | 118,664 | 100% |



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

PRGERS- RETIREES

- As of June 2016 the PRGERS has a total of approximately 122,363 retirees and beneficiaries. *These numbers are unaudited and subject to change.
- Pensions:
 - Minimum pensions are set to be either \$400 or \$500 (depending on the date of retirement).
 - Average pension: \$1,050.47
 - Current maximum pension is \$17,353.94
- Range of pensions or benefits:

| | |
|--------------------|--------|
| Less than \$400 | 9,669 |
| Equal to \$400 | 1,835 |
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| \$1,000 to \$2,000 | 30,457 |
| \$2,000 to \$3,000 | 7,889 |
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| \$4,000 to \$5,000 | 782 |
| \$5,000 or more | 645 |

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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

PRGERS- RETIREES

RETIREES AND BENEFICIARIES DISTRIBUTED BY MONTHLY PENSION
ESTIMATED FIGURES AS OF JUNE 30, 2016
COMMONWEALTH RETIREMENT SYSTEM (RETIREMENT SYSTEM ADMINISTRATION)

| Pensions + \$2,000 | Number of Retirees and Beneficiaries (122,363) |
|--------------------|--|
| \$2,001 - \$3,000 | 7,489 |
| \$3,001 - \$4,000 | 2,120 |
| \$4,001 - \$5,000 | 792 |
| \$5,001 - \$6,000 | 301 |
| \$6,001 - \$7,000 | 143 |
| \$7,001 - \$8,000 | 102 |
| \$8,001 - \$9,000 | 37 |
| \$9,001 - \$10,000 | 21 |
| \$10,001 - More | 41 |
| | TOTAL 11,436 |



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GOVERNMENT OF PUERTO RICO

PRGERS ASSETS

- The PRGERS is funded mainly by the contributions made by employers and employees, as well as investment income.
- In FY 2015-16, PRGERS paid \$1,526,363,800.63 in annual pensions and benefits.
- The PRGERS is severely underfunded and projected to deplete its liquid assets in the near future and may be forced to sell illiquid assets at potentially unfavorable conditions.
- According to our external actuaries, Milliman:
 - *PRGERS net assets have been exhausted in the 2014-15 fiscal year. If the increasing Law 116 employer contributions, the Supplemental Contribution under Act 3, and the Additional Uniform Contribution under Act 32 (as amended by Act 244) are not paid in full on an annual basis, PRGERS will continue being rapidly disfunded and gross assets will be exhausted.*



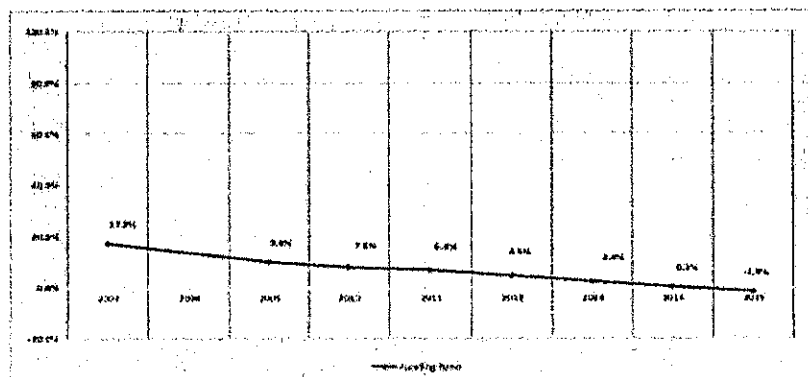
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PRGERS Benefit Payments amount to 2.1% of GNP.

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GOVERNMENT OF PUERTO RICO

FUNDING RATIO



*2013: The funding ratio without the ONCO of will increase to 3.1% because of the Accrued Liability Increase.

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GOVERNMENT OF PUERTO RICO

ASSET DEPLETION/FUNDING RATIO

| Year | Net Position (in millions) | Total Assets (in millions) | Funding Ratio |
|------|-------------------------------|-------------------------------|---------------|
| 2007 | \$2,891,501 | \$2,931,300 | 17.2% |
| 2009 | \$1,851,223 | \$4,912,620 | 9.8% |
| 2010 | \$1,667,358 | \$4,842,795 | 7.8% |
| 2011 | \$1,723,811 | \$4,987,067 | 6.8% |
| 2012 | \$1,236,873 | \$4,479,782 | 4.5% |
| 2013 | \$701,361 | \$3,995,903 | 2.4% |
| 2014 | \$80,666 | \$3,430,667 | 0.3% |
| 2015 | \$-578,633 | \$2,780,077 | -1.8% |

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This demonstrates the erosion of the system's asset base over the years.

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GOVERNMENT OF PUERTO RICO

PRGERS ASSETS

- The PRGERS has been in a negative net assets position since fiscal year 2015, mainly due to its \$2.9 billion outstanding liability on account of its senior pension funding bonds as required by GASB 67.
- Future employer contributions of the ERS are pledged for the payment of debt service on the senior pension funding bonds.
- The ERS is the only Retirement System in the United States to be the sole debtor of a bond issue.
- The PRGERS pays approximately \$167,000,000 in yearly interest payments until 2022, which is when principal payments are due.



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Each month PRGERS is required to transfer to the fiscal agent all of the employer contributions that it receives (approximately \$30-\$32 million but changes every year).

During the first six (6) months of the year, the fiscal agent retains all of the amounts received, up to the amount of the debt service payable for that year. This translates into a monthly interest payment of \$13,916,666.67 for the three bond series.

After the debt service has been paid, although the System is required to continue transferring all of the employer contributions it receives, the fiscal agent transfers them back to the System

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GOVERNMENT OF PUERTO RICO

MORATORIUM ACT

- As the only Retirement System in the United States that makes bond payments, the moratorium has boosted the PRGERS liquidity position.
- On April 5, 2016, Governor García Padilla signed into law the Moratorium Act. Pursuant to Executive Order 2016-31 issued under the Moratorium Act, The Governor suspended ERS' obligation to transfer the employer contributions to the fiscal agent for the POB's.
- PRGERS has continued to pay debt service on these bonds from funds held by the fiscal agent in debt service reserve accounts under the ERS' POB's Resolution.
 - The debt reserve accounts shall be depleted in April 2017
 - Settlement and Court Order in Altair case segregated the monies received from public corporations and municipalities in an account at BPPR.



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There is money in the reserve account up to March 2017.

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GOVERNMENT OF PUERTO RICO

NET PENSION LIABILITY

- The System carries a net pension liability that exceeds \$33,247,795,000.00.
 - In 2013, the System had a net pension liability that exceeded \$28,240,007,000 billion.
 - In 2014, the System had a net pension liability that exceeded \$30,138,851,000 billion.
- For FY 2016-2017, PRGERS' monthly deficit is projected at \$56,475,000.00 million, if the System receives the AUC contribution of \$145,600,000.00 budgeted in the General Fund Budget Resolution for FY 2016-2017.



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GOVERNMENT OF PUERTO RICO

NET PENSION LIABILITY (Cont.)

- The sums paid by the Retirement System for pension benefits exceeds the sums that it receives on account of employer and individual contributions and other income.
- The \$2.9 billion POB issue will mature in 2059 and adversely impact liquidity during this period. Principal on the POB's is due in 2022.
- Investment income and assets have been used to offset the funding deficiencies and the PRGERS' assets are expected to decline until exhaustion.
- Historically, the Department of Treasury made the payment of pensions, and during the fiscal year, the PRGERS sold its securities to pay the difference between the income and the payment of pensions to the Department of the Treasury.
- Since Q4 FY 2014-15, PRGERS has been prefunding the Department of Treasury to guarantee pension benefit payments.



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Treasury gave PRGERS the opportunity to realize more investment income.

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GOVERNMENT OF PUERTO RICO

ADDITIONAL UNIFORM CONTRIBUTION

- All of PRGERS participating employers are required to make this contribution.
- The AUC was established at \$120 million for fiscal year 2014, and for fiscal years 2015 through 2033 was to be the amount certified by the Administration's external actuary at least 120 days prior to the start of each fiscal year, as the amount necessary to avoid having the projected gross assets of the ERS during any subsequent fiscal year fall below \$1 billion.
- Timely payment of the PRGERS' AUC is a critical component of the actuarial models in which Act 32-2013 was based in order to be able to make payments as they come due without depleting all of their assets first.
- The AUC is necessary to continue funding benefits at the current rate. If catch-up and/or timely payments are not made, the PRGERS' inability to fund benefits will contribute to further economic contraction.



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Include in table format.

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GOVERNMENT OF PUERTO RICO

AUC FUNDING ISSUES

- If a full AUC payment is not received, the PRGERS' liquid assets will be depleted and in FY 2017-2018 and the Commonwealth will have to assume full responsibility for the payment of pensions and benefits of over 121,000 retirees and beneficiaries.
 - For FY 2016-2017, the AUC was determined to be \$596 million, payable at the end of the year.
 - Municipalities and Public Corporations are mostly on Payment Plans regarding the AUC.

| AUC Received | Central Government | Public Corporations | Municipalities | Special OMB subsidy |
|--------------|--------------------|---------------------|-----------------|---------------------|
| 2013-14 | \$35,383,813.97 | \$5,893,315.72 | \$14,365,336.17 | N/A |
| 2014-15 | \$49,947,169.11 | \$1,441,645.00 | \$3,093,524.11 | N/A |
| *2015-16 | \$0.00 | \$21,723,225.35 | \$0.00 | \$7,733,023.55 |
| Total | \$85,330,983.08 | \$29,058,186.07 | \$17,458,860.28 | \$7,733,023.55 |



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Modify this and add info on the AUC for public corporations and municipalities.

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GOVERNMENT OF PUERTO RICO

SHORT-TERM LIQUIDITY OPPORTUNITIES

- In 2012 and 2014, the PRGERS sold four tranches of loans to Banco Popular and Banco Cooperativo.
- These loans were sold at par value and the PRGERS earned a 2% servicing fee.
- As a measure to boost liquidity loans, particularly mortgage loans, should be sold to a private entity.
- These loans are attractive to third-parties because they're collateralized and have a direct payroll deduction, which should be subject to minimal defaults.



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GOVERNMENT OF PUERTO RICO

PRJRS

- PRJRS is a statutory trust created by virtue of Act No. 12, in 1954 to provide pension and other benefits to retired judges of the Judiciary Branch of the Commonwealth. Prior to December 2013, the System consisted of a single-employer defined-benefit pension plan.
- PRJRS is a System that may have up to 386 active members, since the number of Judges is established by Act No. 201-2003, as amended.
- PRJRS has approximately 431 retirees and beneficiaries.
- The PRJRS is funded principally by contributions made by its sole employer (the Judicial Branch) and its judges (employees) as well as investment income.



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GOVERNMENT OF PUERTO RICO

PRJRS

• RETIREES AND BENEFICIARIES- over 390

RETIREES AND BENEFICIARIES DISTRIBUTED BY MONTHLY PENSION

ESTIMATED FIGURES AS OF JUNE 30, 2016

JUDICIARY RETIREMENT SYSTEM (RETIREMENT SYSTEM ADMINISTRATION)

| Pensions + \$2,000 | Number of Retirees and Beneficiaries (431) |
|--------------------|--|
| \$2,001- \$3,000 | 38 |
| \$3,000- \$4,000 | 49 |
| \$4,000- \$5,000 | 44 |
| \$5,000- \$6,000 | 174 |
| \$6,000- \$7,000 | 10 |
| \$7,000- \$8,000 | 1 |
| \$8,000- \$9,000 | 1 |
| \$9,000- \$10,000 | 1 |
| \$10,000 - More | 6 |
| | TOTAL 324 |

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GOVERNMENT OF PUERTO RICO

PRJRS

- The PRJRS is managed by the Administration and is severely underfunded and projected to deplete its assets in the near future.
- In order to meet the cash needs of the System several liquidations occurred.

Act 162-2013-

- Enacted in December 2013. Comprehensive reform of the PRJRS. It sought to establish a new hybrid retirement system for judges appointed after July 1, 2014, which included both a defined benefit and a defined contribution component.



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GOVERNMENT OF PUERTO RICO

PRJRS

- On February 21, 2014, the Puerto Rico Supreme Court upheld the constitutionality of Act 162-2013, but only with respect to judges appointed on or after December 24, 2013.
- Judges appointed before the approval of Act 162-2013 continue to enjoy their prior retirement benefits.
- Judges appointed between December 24, 2013 and June 30, 2014, a modified benefits regime applies
 - the defined benefit plan continued to exist, but with a maximum pension of 60% of salary. Their employee contribution was increased from 8% to 10%. All other existing benefits remained unchanged.



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GOVERNMENT OF PUERTO RICO

PRJRS

Act 162-2013

- Judges appointed on or after July 1, 2014. A new hybrid plan was enacted, which includes the following:
 - no transfer of service from other branches of government will be credited for purposes of benefit accruals;
 - at least 12 years of service and attainment of age 65 will be required in order to accrue an annual pension equal to 1.5% of the employee's average salary for the last five years multiplied by years of service plus an annuity from the employee's contributions;
 - disability benefits were reduced from 50% to 33% of salary;
 - participant must have at least five years of service to receive a pension that will not exceed the 33% of the average compensation for the last five years;
 - death benefits payable for the surviving spouse were changed from 50% of salary to a reimbursement of the judge's pension contributions to the extent not already distributed;
 - the employee contribution was increased from 8% to 12% of salary; and
 - Christmas, summer and prescription medicine bonuses were eliminated.

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GOVERNMENT OF PUERTO RICO

PRJRS

Act 162-2013

- Additional Annual Employer contribution is necessary in order to maintain sufficient system assets to be able to meet benefit payments when due.
- Starting in Fiscal Year 2015, the actuaries determine the amount necessary to prevent the projected value of the gross assets of the PRJRS from falling below \$20 million during any subsequent fiscal year.

PRJRS has not received any payment of the Additional Annual Employer contribution since the enactment of Act 162-2013. The total amount due adds up to: \$37.2 MILLION:

- The recommended AUC for FY 2014-2015 was \$11.6 million.
- The recommended AUC for FY 2015-2016 was \$12.1 million.
- The current recommended AUC for FY 2016-2017 due on June 30, 2017 is: \$13.5 million.



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

IMPORTANT DATES FOR OUR SYSTEMS

March 13, 2017: FEGP Certified but, subject to the following Pension Amendment to the Commonwealth's Proposed Fiscal Plan:

All or virtually all pension fund assets will be depleted before 2022. ERS, TRS, and JRS have combined liabilities of at least \$50 billion and a combined funded ratio below 8%. Despite previous reform efforts, Puerto Rico's pension systems have not stabilized. Structural changes are required to ensure long-term stability and restore public confidence in the pension system. Accordingly, the public pension systems must be overhauled through the measures in the Commonwealth's proposed fiscal plan, supplemented to provide for progressively reduced total pension outlays by 10% by fiscal year 2020, to ensure the system can meet its obligations, with protections to ensure that no member is pushed below the federal poverty line as a result of the reductions.

The system overhaul shall be formulated by the Commonwealth and the Board on or before June 30, 2017, and be guided by the following principles:

1. Fund existing pension obligations on a "paygo" basis, liquidating assets to help fund benefits and using general fund revenues to pay benefits owed under previous plans.
2. Enroll all active members and new hires in defined contribution accounts that segregate and protect their contributions to pay for their own future benefits, and:
 - a. Offer employees diversified, low-cost "index funds" similar to the federal government's Thrift Savings Plan
 - b. Ensure that employees retain the full return on their contributions, without the 20% "tax" currently charged by hybrid plans; and
3. Beginning in 2020, enroll all newly-hired teachers and public safety workers in Social Security, and, to the extent practicable, enroll current teachers and public safety employees under age 40 in Social Security.

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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

IMPORTANT DATES FOR OUR SYSTEMS

•April 2017

—ERS's reserves are depleted.

•May 2017

—PROMESA stay expires.

—ERS will possibly start receiving employer contributions that are subject to our Bond Resolution and should be sent to BONY (custodial bank).

•June 2017

—System overhaul must be formulated by AAFAF and the Board on or before June 30, 2017.

—Liquidity constraints limit ERS's ability to meet pension obligations.

—Pension payments may become an obligation of the Commonwealth.

- Everything is being evaluated.
- Act 1-2017 proposes to inject needed capital to the System through the creation of Public-Private Partnerships.



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RETIREMENT [logo]
GOVERNMENT OF PUERTO RICO

PROMESA

POR'S

- PRGERS is a covered entity under PROMESA.
- FISCAL SUPERVISION BOARD may request and have active participation in all decisions that have a fiscal impact on the Retirement System.
- Communication and transparency is KEY.
- PROMESA provides a framework for restructuring instrumentalities of the Government of Puerto Rico.
- Title III is the court-supervised restructuring process; Title VI is the creditor collective action section by which debt may be restructured consensually.
- Title VI negotiations among certain instrumentalities and their creditors have begun. ERS must conduct these negotiations as well.
- The Oversight Board may commence a Title III case for a particular "covered entity" if Title VI negotiations are unsuccessful.



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RETIREMENT [logo]

NEW LAWS AND THE RETIREMENT SYSTEM ADMINISTRATION

- Act 2-2017 creates the Fiscal Agency and Financial Advisory Authority (FAFAA).
 - In charge of cooperation between the Government and the Fiscal Oversight Board.
 - Replaces the Government Development Bank (GDB) on our Board of Trustees.
- It acts as fiscal agent, financial advisor and reporting agent of the Government of Puerto Rico.
- It has the responsibility of renegotiating, restructuring and/or reaching an agreement with creditors regarding our POBs.



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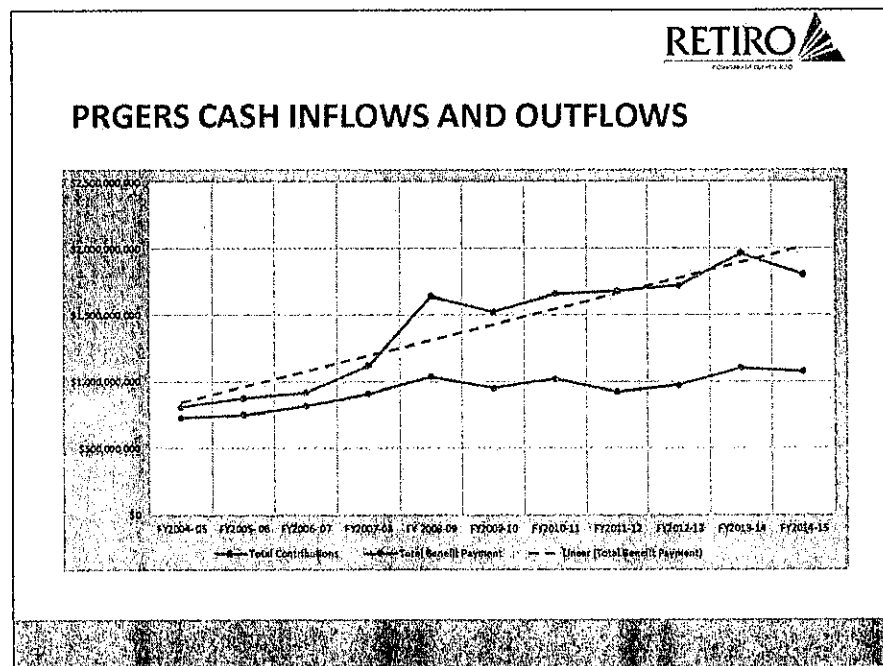
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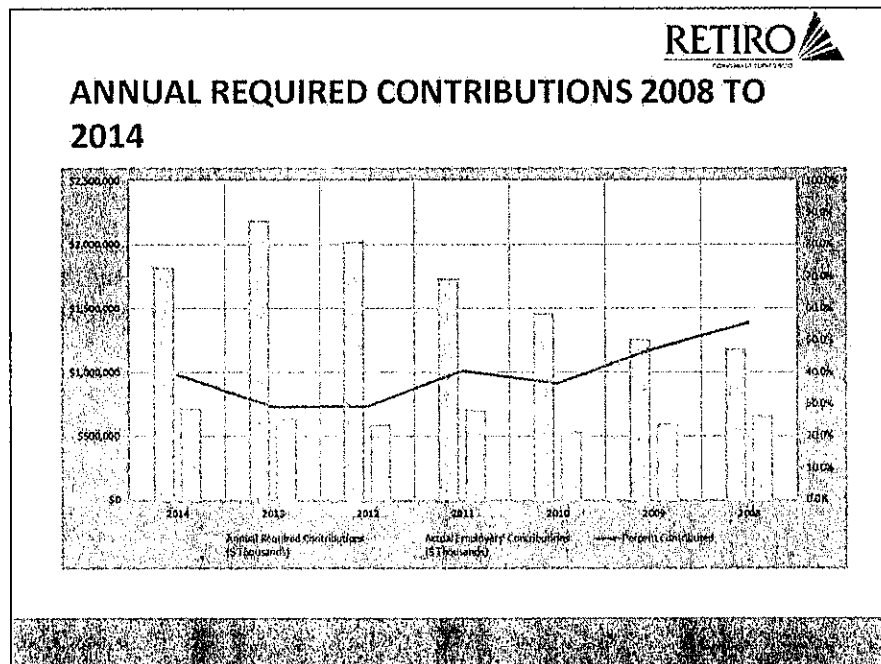
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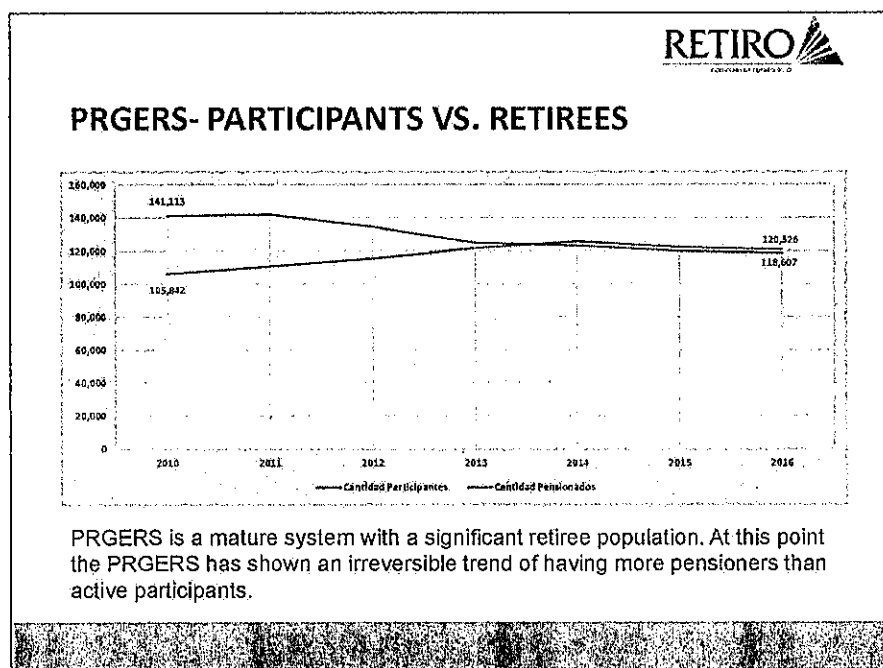


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PRGERS- PARTICIPANTS

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| \$4,000 a \$5,000 | 782 |
| \$5,000 o más | 645 |

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PRGERS- RETIREES

| <small>PENSIONADOS Y BENEFICIARIOS DISTRIBUIDOS POR PENSION MENSUAL CIFRAS ESTIMADAS AL 30 DE JUNIO DE 2016 SISTEMA DE RETIRO DEL EIA (ASB)</small> | | |
|---|--------------|---|
| Pensiones + \$2,000 | | # Pensionados y Beneficiarios (122,363) |
| \$2,001- \$3,000 | | 7,889 |
| \$3,000- \$4,000 | | 2,120 |
| \$4,000- \$5,000 | | 782 |
| \$5,000- \$6,000 | | 301 |
| \$6,000- \$7,000 | | 143 |
| \$7,000- \$8,000 | | 102 |
| \$8,000- \$9,000 | | 37 |
| \$9,000- \$10,000 | | 21 |
| \$10,000- Más | | 41 |
| | TOTAL | 11,436 |

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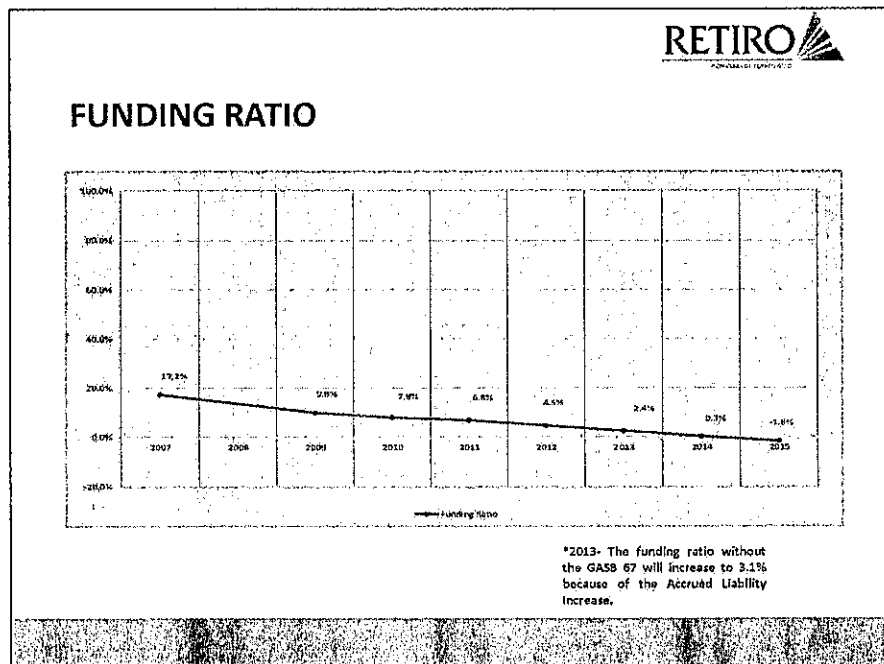
PRGERS ASSETS

- The PRGERS is funded mainly by the contributions made by employers and employees, as well as investment income.
- In FY 2015-16, PRGERS paid \$1,526,363,800.63 in annual pensions and benefits.
- The PRGERS is severely underfunded and projected to deplete its liquid assets in the near future and may be forced to sell illiquid assets at potentially unfavorable conditions.
- According to our external actuaries, Milliman:
 - *PRGERS net assets have been exhausted in the 2014-15 fiscal year. If the increasing Law 116 employer contributions, the Supplemental Contribution under Act 3, and the Additional Uniform Contribution under Act 32 (as amended by Act 244) are not paid in full on an annual basis, PRGERS will continue being rapidly disfunded and gross assets will be exhausted.*

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PRGERS Benefit Payments amount to 2.1% of GNP.



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ASSET DEPLETION/FUNDING RATIO

| Year | Net Position (in millions) | Total Assets (in millions) | Funding Ratio |
|------|-------------------------------|-------------------------------|---------------|
| 2007 | \$2,891,501 | \$2,931,300 | 17.2% |
| 2009 | \$1,851,223 | \$4,912,620 | 9.8% |
| 2010 | \$1,667,358 | \$4,842,795 | 7.8% |
| 2011 | \$1,723,811 | \$4,987,067 | 6.8% |
| 2012 | \$1,236,873 | \$4,479,782 | 4.5% |
| 2013 | \$701,361 | \$3,995,903 | 2.4% |
| 2014 | \$80,666 | \$3,430,667 | 0.3% |
| 2015 | \$-578,633 | \$2,780,077 | -1.8% |

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Demuestra la erosión en la base de activos del sistema a través de los años.



PRGERS ASSETS

- The PRGERS has been in a negative net assets position since fiscal year 2015, mainly due to its \$2.9 billion outstanding liability on account of its senior pension funding bonds as required by GASB 67.
- Future employer contributions of the ERS are pledged for the payment of debt service on the senior pension funding bonds.
- The ERS is the only Retirement System in the United States to be the sole debtor of a bond issue.
- The PRGERS pays approximately \$167,000,000 in yearly interest payments until 2022, which is when principal payments are due.

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Each month PRGERS is required to transfer to the fiscal agent all of the employer contributions that it receives (approximately \$30-\$32 million but changes every year).

During the first six (6) months of the year, the fiscal agent retains all of the amounts received, up to the amount of the debt service payable for that year. This translates into a monthly interest payment of **\$13,916,666.67** for the three bond series.

After the debt service has been paid, although the System is required to continue transferring all of the employer contributions it receives, the fiscal agent transfers them back to the System



MORATORIUM ACT

- As the only Retirement System in the United States that makes bond payments, the moratorium has boosted the PRGERS liquidity position.
- On April 6, 2016, Governor García Padilla signed into law the Moratorium Act. Pursuant to Executive Order 2016-31 issued under the Moratorium Act. The Governor suspended ERS' obligation to transfer the employer contributions to the fiscal agent for the POB's.
- PRGERS has continued to pay debt service on these bonds from funds held by the fiscal agent in debt service reserve accounts under the ERS' POB's Resolution.
 - The debt reserve accounts shall be depleted in April 2017
 - Settlement and Court Order in Altair case segregated the monies received from public corporations and municipalities in an account at BPPR.

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Hay dinero en la cuenta de reserva hasta marzo 2017.



NET PENSION LIABILITY

- The System carries a net pension liability that exceeds \$33,247,795,000.00.
 - In 2013, the System had a net pension liability that exceeded \$28,240,007,000 billion.
 - In 2014, the System had a net pension liability that exceeded \$30,138,851,000 billion.
- For FY 2016-2017, PRGERS' monthly deficit is projected at \$56,475,000.00 million, if the System receives the AUC contribution of \$145,000,000.00 budgeted in the General Fund Budget Resolution for FY 2016-2017.

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NET PENSION LIABILITY (Cont.)

- The sums paid by the Retirement System for pension benefits exceeds the sums that it receives on account of employer and individual contributions and other income.
- The \$2.9 billion POB issue will mature in 2059 and adversely impact liquidity during this period. Principal on the POB's is due in 2022.
- Investment income and assets have been used to offset the funding deficiencies and the PRGERS' assets are expected to decline until exhaustion.
- Historically, the Department of Treasury made the payment of pensions, and during the fiscal year, the PRGERS sold its securities to pay the difference between the income and the payment of pensions to the Department of the Treasury.
- Since Q4 FY 2014-15, PRGERS has been prefunding the Department of Treasury to guarantee pension benefits payments.

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Treasury gave PRGERS the opportunity to realize more Investment Income.



ADDITIONAL UNIFORM CONTRIBUTION

- All of PRGERS participating employers are required to make this contribution.
- The AUC was established at \$120 million for fiscal year 2014, and for fiscal years 2015 through 2033 was to be the amount certified by the Administration's external actuary at least 120 days prior to the start of each fiscal year, as the amount necessary to avoid having the projected gross assets of the ERS during any subsequent fiscal year fall below \$1 billion.
- Timely payment of the PRGERS' AUC is a critical component of the actuarial models in which Act 32-2013 was based in order to be able to make payments as they come due without depleting all of their assets first.
- The AUC is necessary to continue funding benefits at the current rate. If catch-up and/or timely payments are not made, the PRGERS' inability to fund benefits will contribute to further economic contraction.

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Incluir en forma de tabla.



AUC FUNDING ISSUES

- If a full AUC payment is not received, the PRGERS' liquid assets will be depleted and in FY 2017-2018 and the Commonwealth will have to assume full responsibility for the payment of pensions and benefits of over 121,000 retirees and beneficiaries.
 - For FY 2016-2017, the AUC was determined to be \$596 million, payable at the end of the year.
 - Municipalities and Public Corporations are mostly on Payment Plans regarding the AUC.

| AUC Received | Central Government | Public Corporations | Municipalities | Special OMB subsidy |
|--------------|--------------------|---------------------|-----------------|---------------------|
| 2013-14 | \$35,383,813.97 | \$5,893,315.72 | \$14,365,336.17 | N/A |
| 2014-15 | \$49,947,169.11 | \$1,441,645.00 | \$3,093,524.11 | N/A |
| *2015-16 | \$0.00 | \$21,723,225.35 | \$0.00 | \$7,733,023.55 |
| Total | \$85,330,983.08 | \$29,058,186.07 | \$17,458,860.28 | \$7,733,023.55 |

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Modificar esto y añadir lo de AUC public corporations and municipalities.



SHORT-TERM LIQUIDITY OPPORTUNITIES

- In 2012 and 2014, the PRGERS sold four tranches of loans to Banco Popular and Banco Cooperativo.
- These loans were sold at par value and the PRGERS earned a 2% servicing fee.
- As a measure to boost liquidity loans, particularly mortgage loans, should be sold to a private entity.
- These loans are attractive to third-parties because they're collateralized and have a direct payroll deduction, which should be subject to minimal defaults.

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PRJRS

- **PRJRS** is a statutory trust created by virtue of Act No. 12, in 1954 to provide pension and other benefits to retired judges of the Judiciary Branch of the Commonwealth. Prior to December 2013, the System consisted of a single-employer defined-benefit pension plan.
- **PRJRS** is a System that may have up to 386 active members, since the number of Judges is established by Act No. 201-2003, as amended.
- **PRJRS** has approximately 431 retirees and beneficiaries.
- The **PRJRS** is funded principally by contributions made by its sole employer (the Judicial Branch) and its judges (employees) as well as investment income.

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PRJRS

• RETIREES AND BENEFICIARIES- over 390

| PENSIONADOS Y BENEFICIARIOS DISTRIBUIDOS POR PENSION MENSUAL CIFRAS ESTIMADAS AL 30 DE JUNIO DE 2016 SISTEMA DE RETIRO DE LA JUDICATURA (ASR) | | |
|---|-------|-------------------------------------|
| Pensiones + \$2,000 | | # Pensionados y Beneficiarios (431) |
| \$2,001- \$3,000 | | 38 |
| \$3,000- \$4,000 | | 49 |
| \$4,000- \$5,000 | | 44 |
| \$5,000- \$6,000 | | 174 |
| \$6,000- \$7,000 | | 10 |
| \$7,000- \$8,000 | | 1 |
| \$8,000- \$9,000 | | 1 |
| \$9,000- \$10,000 | | 1 |
| \$10,000- Mas | | 6 |
| | TOTAL | 324 |

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PRJRS

- The PRJRS is managed by the Administration and is severely underfunded and projected to deplete its assets in the near future.
- In order to meet the cash needs of the System several liquidations occurred.

Act 162-2013-

- Enacted in December 2013. Comprehensive reform of the PRJRS. It sought to establish a new hybrid retirement system for judges appointed after July 1, 2014, which included both a defined benefit and a defined contribution component.

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PRJRS

- On February 21, 2014, the Puerto Rico Supreme Court upheld the constitutionality of Act 162-2013, but only with respect to judges appointed on or after December 24, 2013.
 - Judges appointed before the approval of Act 162-2013 continue to enjoy their prior retirement benefits.
- Judges appointed between December 24, 2013 and June 30, 2014, a modified benefits regime applies
 - the defined benefit plan continued to exist, but with a maximum pension of 60% of salary. Their employee contribution was increased from 8% to 10%. All other existing benefits remained unchanged.

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PRJRS

Act 162-2013-

- Judges appointed on or after July 1, 2014. A new hybrid plan was enacted, which includes the following:
 - no transfer of service from other branches of government will be credited for purposes of benefit accruals;
 - at least 12 years of service and attainment of age 65 will be required in order to accrue an annual pension equal to 1.5% of the employee's average salary for the last five years multiplied by years of service plus an annuity from the employee's contributions;
 - disability benefits were reduced from 50% to 33% of salary;
 - participant must have at least five years of service to receive a pension that will not exceed the 33% of the average compensation for the last five years;
 - death benefits payable for the surviving spouse were changed from 50% of salary to a reimbursement of the Judge's pension contributions to the extent not already distributed;
 - the employee contribution was increased from 8% to 12% of salary; and
 - Christmas, summer and prescription medicine bonuses were eliminated.



PRJRS

Act 162-2013-

- Additional Annual Employer contribution is necessary in order to maintain sufficient system assets to be able to meet benefit payments when due.
- Starting in Fiscal Year 2015, the actuaries determine the amount necessary to prevent the projected value of the gross assets of the PRJRS from falling below \$20 million during any subsequent fiscal year.

PRJRS has not received any payment of the Additional Annual Employer contribution since the enactment of Act 162-2013. The total amount due adds up to: \$37.2 MILLION:

- The recommended AUC for FY 2014-2015 was \$11.6 million.
- The recommended AUC for FY 2015-2016 was \$12.1 million.
- The current recommended AUC for FY 2016-2017 due on June 30, 2017 is: \$13.5 million.

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IMPORTANT DATES FOR OUR SYSTEMS

March 13, 2017: FEGP Certified but, subject to the following Pension Amendment to the Commonwealth's Proposed Fiscal Plan:

All or virtually all pension fund assets will be depleted before 2022. ERS, TRS, and JRS have combined liabilities of at least \$50 billion and a combined funded ratio below 8%. Despite previous reform efforts, Puerto Rico's pension systems have not stabilized. Structural changes are required to ensure long-term stability and restore public confidence in the pension system. Accordingly, the public pension systems must be overhauled through the measures in the Commonwealth's proposed fiscal plan, supplemented to provide for progressively reduced total pension outlays by 10% by fiscal year 2020, to ensure the system can meet its obligations, with protections to ensure that no member is pushed below the federal poverty line as a result of the reductions.

The system overhaul shall be formulated by the Commonwealth and the Board on or before June 30, 2017, and be guided by the following principles:

1. Fund existing pension obligations on a "paygo" basis, liquidating assets to help fund benefits and using general fund revenues to pay benefits owed under previous plans.
2. Enroll all active members and new hires in defined contribution accounts that segregate and protect their contributions to pay for their own future benefits, and:
 - a. Offer employees diversified, low-cost "index funds" similar to the federal government's Thrift Savings Plan
 - b. Ensure that employees retain the full return on their contributions, without the 20% "tax" currently charged by hybrid plans; and
3. Beginning in 2020, enroll all newly-hired teachers and public safety workers in Social Security, and, to the extent practicable, enroll current teachers and public safety employees under age 40 in Social Security.

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IMPORTANT DATES FOR OUR SYSTEMS

•April 2017

—ERS's reserves are depleted.

•May 2017

—PROMESA stay expires.

—ERS will possibly start receiving employer contributions that are subject to our Bond Resolution and should be sent to BONY (custodial bank).

•June 2017

—System overhaul must be formulated by AAFAF and the Board on or before June 30, 2017.

—Liquidity constraints limit ERS's ability to meet pension obligations.

—Pension payments may become an obligation of the Commonwealth.

- Everything is being evaluated.
- Act 1-2017 proposes to inject needed capital to the System through the creation of Alianzas Público Privadas.

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PROMESA

POB'S

- PRGERS is a covered entity under PROMESA.
- FISCAL SUPERVISION BOARD may request and have active participation in all decisions that have a fiscal impact on the Retirement System.
- Communication and transparency is KEY.
- PROMESA provides a framework for restructuring instrumentalities of the Government of Puerto Rico.
- Title III is the court-supervised restructuring process; Title VI is the creditor collective action section by which debt may be restructured consensually.
- Title VI negotiations among certain instrumentalities and their creditors have begun. ERS must conduct these negotiations as well.
- The Oversight Board may commence a Title III case for a particular "covered entity" if Title VI negotiations are unsuccessful.

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NUEVAS LEYES Y LA ASR

- Ley 2-2017 crea la Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF)
 - encargado de la colaboración entre el Gobierno y la JSF
 - Sustituye al BGF en nuestra Junta de Síndicos.
- Actúa como agente fiscal, asesor financiero y agente informativo del Gobierno de Puerto Rico.
- Tiene la responsabilidad de renegociar, reestructurar y/o llegar a un acuerdo con los acreedores sobre nuestros POB's.